British
Columbia
Lottery
Corporation

Annual Report 1988

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Cover Photo:
the set of
"Lotto Night
in B.C.", the
Corporation's
weekly
televised
draw show.

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Chairman's Message

Among the many worthwhile causes which are funded from the profit of lottery play in British Columbia are the B.C. Summer and Winter games. The lottery fund is the major financial sponsor of the games each year. In addition, athletes who attend the games are each presented with a lottery sports bag. The games provide a healthy atmosphere for competition among the province's youth and are an important training ground for the world champions and Olympians of the future. It is thanks to B.C.'s lottery players that the games can continue each year.

The British Columbia Lottery Corporation helps to make all British Columbians winners. Of each dollar spent on tickets for the eight lotteries operated by the Corporation during the 1987-88 fiscal year, 37 cents was forwarded to the B.C. Lottery Fund. Last year, the Corporation contributed nearly $167 million to the fund, which is used to provide financial assistance for medical research, heritage conservation, cultural activities, and a wide variety of sport, recreational and other community projects.

Last December, the final payment from the fund was made to retire the $337 million debt from EXPO 86 without any impact on the taxpayer. EXPO 86 benefited people and communites throughout

the province, generating revenue, employment and tourism interest.

The lottery fund has also financed a major new spinal injury ward at Shaughnessy General Hospital in Vancouver; contributed more than $5 million on behalf of the citizens of British Columbia to Rick Hansen's Man-In-Motion world tour, and funded the B.C. Film Development Society, which is stimulating the growth of our film-making industry to help provide more jobs and a more diversified economy.

We are proud of the work done by the British Columbia Lottery Corporation and the support provided for B.C. communities through the lottery fund.

From September 27 to October 2, 1987, British Columbia was in the international lottery spotlight as the host of the 14th INTERTOTO CONFERENCE in Vancouver. This was the first time the meeting of international lottery company leaders was held in North America. The focus of the conference was the impact of a rapidly-changing world. Five hundred delegates representing more than 80 organizations from 34 countries attended.

Intertoto was the highlight of another outstanding year for the Corporation. As Board Chairman and Minister Responsible, I wish to thank President Guy Simonis and all the staff for their dedication and contribution to that performance.

Gaming & Wagering Business Magazine, an International publication out of New York, awarded the Lottery Communications Award for the Best Point of Sale Promotion to The British Columbia Lottery Corporation for its POS promotion for The Pick. The Corporation went on the road to 64 major shopping malls throughout the province to educate consumers about changes to The Pick, including the addition of three draw days to the game's weekly lottery calendar. The mall displays included a four-minute "How to Play The Pick" video, a life-size cut-out of the game's advertising spokesman, and a travelling exhibit as teaching tools. The runner-up for the award was the Washington Lottery's campaign using "Night Court" actor Richard ("Bull") Moll. Honourable Mention went to the Massachusetts Lottery for promotion of their Instant Game Green Stuff, which they tied to Boston's most popular sports team, the Celtics.

The Corporation's third full year of operation was a year of expansion of the lottery market through new products, resulting in increases over the previous year's record achievements.

Sales for the year ending March 31, 1988, were $470 million, up five per cent over the previous year. With a population of 2.9 million, British Columbia has achieved a current consumer spending level of more than $160 per capita.

Net revenue for the year increased almost four per cent to $174 million from $168 million, of which $166.6 million went to the Province of British Columbia and $7.5 million was contributed to the Government of Canada.

An additional three draws per week were added to the 6/8/56 lotto game *The Pick*, joining the company of many lottery organizations with daily lottery games.

This move is a reflection of the maturity of lottery play in British Columbia. *The Pick* requires understanding and effort on the part of the player but also gives the opportunity to define one's own game. The changes to the game resulted in a sales increase to $30 million from $16.5 million the previous year.

The year also saw an increase in Instant ticket sales to $104 million from $96 million the previous year; the result of more imaginative marketing and new ticket styles. With top prizes of $1,000, $5,000 and $10,000, three types of Instant tickets offered the player a choice of prizes and chances to win.

The flagship game, *Lotto 6/49*, showed an increase in sales over last year. The high point of the year was when a record *Lotto 6/49* jackpot of $14.2 million was reached in March, 1988. Not only was a Canada-wide *Lotto 6/49* sales record set, total British Columbia sales for draw day, March 23, were $3.9 million, also a record.

The *Lotto 6/49* balls bounced in the players' favour this year, with more jackpot winners than the previous year. From April 1, 1987 to February 10, 1988, the jackpot carried over 35 times, compared to 41 jackpot rollovers for the same period in the previous

year. Because fewer rollovers means there is less opportunity for the jackpot to grow, there were only five jackpots of more than $7 million during the year, compared to 12 the previous year.

The other two national games, *Provincial* and *Super Loto*, achieved respectable levels of sales in British Columbia compared with last year's sales figures.

Rounding out the lotto game line-up are *Lotto BC*, a 5/40 lotto game and the *Express*, a traditional 6-digit game offered through the on-line system.

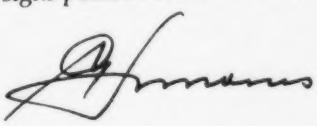
The *Breakopen* game showed an impressive increase of $10.2 million during the year, for total sales of just over $19 million.

The Corporation is also responsible for the distribution of bingo paper in the province, and sales in this area were up $1.6 million over the previous year.

One of the more important events during the year was acting as host of INTERTOTO CONFERENCE XIV. More than 500 delegates from 80 lottery organizations worldwide attended. The lottery conference was held for the first time in North America. Another first was that China, the Soviet Union and the United States sat at the same lottery table.

In the coming year, the Corporation will continue to explore new market opportunities as the existing lottery market continues to mature. Reasonable growth is forecast for Fiscal 1989.

The past year was one of growth and development for the Corporation, and all signs point to continued success in the future.



Lottery Sales (in millions)

Lotto 6/49	***$257.6***
Provincial	***19.4***
Super Loto	***17.6***
The Pick	***29.9***
Express	***7.1***
Lotto BC	***10.9***
Instant	***104.2***
Breakopen	***19.4***
Total Lottery Sales	$466.1
Bingo Paper	***$3.5***
Total	$469.6

British Columbia Lottery Corporation

Consolidated Balance Sheet

March 31, 1988 (in thousands of dollars)

Assets	**1988**	**1987**
Cash		
Prize Funds	$ 14,479	$ 9,291
Other	10,364	2,391
Receivables (note 3)	3,769	4,268
Prepaid expenses	1,690	2,883
Fixed assets (note 4)	7,265	17,212
	$ 37,567	$ 36,045
Liabilities		
Prizes payable	$ 14,479	$ 9,291
Payable to Interprovincial Lottery Corporation	903	2,688
Accounts payable and accrued liabilities	3,581	5,915
Deferred revenue	5,264	3,949
Due to Government of Canada	–	975
Due to Province of British Columbia	13,340	13,227
Share capital (note 5)	–	–
	$ 37,567	$ 36,045

Approved:

Director

Director

Consolidated Statement of Changes in Amounts Due to Province of British Columbia

March 31, 1988 (in thousands of dollars)

	1988	1987
Net Income		
Balance, beginning of year	$ 13,227	$ 6,108
Net income	174,137	167,836
	187,364	173,944
Payments to Province of British Columbia during the year	166,473	152,396
Allocation of income to Government of Canada	7,551	8,321
	174,024	160,717
Balance, end of year	$ 13,340	$ 13,227
Lottery Advances Agreement		
Balance, beginning of year	$ –	$ 13,282
Payments during the year (note 6)	–	13,282
Balance, end of year	–	–
	$ 13,340	$ 13,227

Consolidated Statement of Income

March 31, 1988 (in thousands of dollars)

	1988	1987
Lottery Sales (note 7)	$ 469,639	$ 444,935
Direct expenses		
Prizes	$ 216,267	$ 203,991
Retailer commissions	25,628	24,736
	241,895	228,727
Sales less direct expenses	227,744	216,208
Operating expenses		
Data processing and network	10,924	10,941
Depreciation	10,956	10,577
Ticket printing	9,133	8,858
Bingo paper	2,589	1,356
Advertising, draws and promotions	7,985	7,374
Sales and distribution	6,833	5,113
Administration	5,187	4,153
	53,607	48,372
Net Income	$ 174,137	$ 167,836
Allocation of Net Income		
Government of Canada (note 8)	7,551	8,321
Province of British Columbia	$ 166,586	$ 159,515
	$ 174,137	$ 167,836

British Columbia Lottery Corporation

Consolidated Statement of Changes in Financial Position

March 31, 1988 (in thousands of dollars)

	1988	1987
Cash Provided By (used for)		
Operations:		
Net Income	$ 174,137	$ 167,836
Depreciation	10,956	10,577
Cash provided by operations	185,093	178,413
Change in net trade balances	(3,620)	3,118
Decrease in prepaid expenses	1,193	(681)
Increase in prizes payable	5,188	1,476
Increase in deferred revenue	1,315	1,426
	$ 189,169	$ 183,752
Financing:		
Payments to Province of British Columbia	(166,473)	(152,396)
Payments to Government of Canada	(8,526)	(8,317)
Repayment of Lottery Advances Agreement	–	(13,282)
	$ (174,999)	$ (173,995)
Investments:		
Acquisition of fixed assets	(1,009)	(7,023)
	(1,009)	(7,023)
Increase in Cash Position	13,161	2,734
Cash Position at Beginning of Year	11,682	8,948
Cash Position at End of Year	$ 24,843	$ 11,682

Notes to the Consolidated Financial Statements

March 31, 1988 (in thousands of dollars)

1. Nature of the Corporation

The British Columbia Lottery Corporation was incorporated pursuant to the Company Act of British Columbia on October 25, 1984.

The Province has designated the Corporation as the authority to conduct and manage Lottery games within British Columbia and to co-operate in the conduct and marketing of nationwide and regional games with other Provinces of Canada.

The *Express, Instant, Lotto BC, The Pick* and *Breakopen* games are conducted solely by the Corporation in the Province of British Columbia. In addition the Corporation is the sole distributor of *Bingo Paper* in the Province of British Columbia.

The Corporation is the regional marketing organization for the *Provincial, Super Loto* and *Lotto 6/49* games in British Columbia. These games are joint undertakings by all provinces acting through the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty The Queen in right of the respective provinces.

2. Significant Accounting Policies

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles.

A. Consolidation

The consolidated financial statements include British Columbia Lottotech Inc., a wholly owned subsidiary of the British Columbia Lottery Corporation.

B. Capital Expenditures

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year and which will materially affect income in the year purchased, will be capitalized. These expenditures include the cost of leasehold improvements, renovations and furniture for the Corporation's offices in Kamloops, Richmond and Victoria, major computer equipment purchases, all on-line gaming terminals and all components of the Corporation's sign and fixture program for placement at the on-line game retailers' locations.

The Corporation's capital assets are recorded at their original cost and are depreciated on a straight-line basis according to their estimated useful life, using the following rates:

Leasehold improvements	20%
Furniture and equipment	20%
Computer equipment	33 1/3%
On-line gaming terminals	33 1/3%
Signs and fixtures:	
Computer	33 1/3%
Non-computer	20%

C. Free Tickets

Sales are reduced by the retail value of free tickets redeemed by the retailers.

D. Deferred Revenue and Expenses

Revenue and expenses relating to draws held during the year ended March 31, 1988 are included in the statement of income on an accrual basis. Receipts from the sale of lottery tickets related to draws held subsequent to March 31, 1988 have been recorded as deferred revenue. Retailer commissions on these sales have been recorded as prepaid expenses.

E. Prize Expenses

The Corporation records prize expenses for all British Columbia games at 50%.

Prize expenses for Interprovincial Lottery Corporation games is British Columbia's proportionate share of prizes based on the number of tickets sold.

Notes
(continued)

3. Receivables

	1988	1987
Retailers	$ 2,670	$ 3,664
Other	1,099	604
	$ 3,769	$ 4,268

4. Fixed Assets

	Cost	Accumulated Depreciation	1988 Net	1987 Net
On-line gaming terminals	$ 15,119	$ 14,427	$ 692	$ 5,732
Central system computer hardware	8,386	7,946	440	3,119
Leasehold improvements	8,283	4,472	3,811	4,929
Furniture and equipment	2,744	1,601	1,143	1,613
Signs and fixtures	2,858	1,679	1,179	1,819
	$ 37,390	$ 30,125	$ 7,265	$ 17,212

5. Share Capital

Authorized:	10,000	common shares without par value
Issued:	1	common share for $1.00

6. *Lottery Advances Agreement*

On March 27, 1987 the advance outstanding of $13,282,332 was repaid in full.

7. *Lottery Sales*

	1988	1987
Nationwide Games		
Lotto 6/49	$ 257,599	$ 251,561
Super Loto	17,649	22,811
Provincial	19,350	20,948
	$ 294,598	$ 295,320
British Columbia Games		
Lotto West	–	14,768
The Pick	29,951	1,741
Express	7,052	12,234
Lotto BC	10,940	13,874
Instant	104,195	95,874
	152,138	138,491
Breakopen	19,421	9,244
Bingo Paper	3,482	1,880
	$ 175,041	$ 149,615
Total	$ 469,639	$ 444,935

8. *Payments to Government of Canada*

The Interprovincial Lottery Corporation makes inflation adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the Lottery field. The Corporation remits British Columbia's share of the above payments to the Interprovincial Lottery Corporation. Payments under this agreement are estimated to be $4,800,000 for the year ended March 31, 1989.

In addition, a further agreement was signed between the provinces and the Government of Canada whereby the provinces agreed to remit a further $100 million to the Government of Canada over the three years commencing in 1985. The final payment under this agreement was made on December 31, 1987.

9. *Interprovincial Lottery Corporation Expenses and Interest Revenue*

The Corporation's share of the Interprovincial Lottery Corporation's operating expenses and interest revenues are reflected in these financial statements. Net income recorded from the Interprovincial Lottery Corporation was $399,000 for the year ended March 31, 1988 ($601,000; 1987).

10. *Lease Obligations*

Long term office space leases will expire as follows:

Kamloops	1994
Richmond	1995
Victoria	1989

Minimum annual rental payments for the next five years are:

1988–1989	$757
1989–1990	$764
1990–1991	$786
1991–1992	$786
1992–1993	$786

Auditor's Report

To the Directors of the
British Columbia Lottery Corporation

We have examined the Balance sheet of the British Columbia Lottery Corporation as at March 31, 1988, and the statements of income, changes in amounts due to the Province of British Columbia, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1988, and the results of its operations, and the changes in the amounts due to the Province of British Columbia, and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Kamloops, B.C.
June 13, 1988

Thorne Ernst & Whinney
Chartered Accountants

Intertoto Conference 87

An intelligent conference, but with a heart — a big heart!

Heinz Deutschendorf
Lotto 6/49
Berlin, West Germany

The Intertoto Conference wasn't good; it was great!

Lothar Lammers
President, Intertoto
Basel, Switzerland

Your world wide meeting was world class!

Director, Lottery Montana

Congratulations on running the finest lottery conference I've ever attended. Or even heard about.

Director, Colorado Lottery

They came from as far away as Kenya, Morocco and Australia, and from as close as Western Canada, California and Iowa. But the delegates and exhibitors to Intertoto Conference XIV had much in common — their enthusiasm for the lottery industry and their desire to make new contacts and new friends. The "Western Night" barbecue and dance was designed to provide the delegates with a casual forum for business and social networking, while imparting some of the unique social flavour of the North American West. This was just one event of many held during the six days of the conference last fall, which saw more than 500 delegates from 34 countries converge on the city of Vancouver.

INTERTOTO CONFERENCE '87, hosted by the British Columbia Lottery Corporation in Vancouver, has been lauded as setting a precedent for all INTERTOTO conferences to come.

Several "firsts" were set during this 14th conference of international organizations which operate the active lottery games lotto or toto.

This was the first conference at which the USSR, the United States and China sat together at the same lottery table. It was also the first time INTERTOTO held its conference in North America, it was the best-attended conference ever, and, it was the first time that organizations representing lottery retailers attended the conference.

Held from September 27 to October 2, 1987, INTERTOTO '87 saw approximately 500 delegates, representing close to 80 lottery organizations from 34 countries, converge on the Pan Pacific Hotel and Vancouver Trade & Convention Centre. The attending countries represented gross annual lottery sales in 1987 of about $45 billion (Cdn).

In addition, the conference was self-funded, with the sponsors and exhibitors bearing all set-up and administration costs.

The organization of accommodation, meals, speeches, social events and exhibitor space for the delegates and exhibitors was a challenge, but the employees of the Corporation rose to the occasion. The result was a conference which blended the best of the lottery business world with the best of Canada's culture and the scenic beauty of the West Coast, for an informative, yet enjoyable, conference for all.

The focus of the conference was the impact of a rapidly-changing world on lottery organizations, including a look to the year 2000 and beyond, and the effect of those changes on the development of the world's lottery industry.

Winners and Prizes

Since she won her $2.3 million Lotto 6/49 jackpot prize on December 19, 1987, Irene Laing has travelled extensively and invested wisely. But her priorities—family and friends—haven't changed. Among the projects since her win are the renovation of her home in Richmond, which she recently sold in favour of a new home in White Rock, homes for each of her four grown children, and education funds for her children and grandchildren. She and husband Bruce, a Mechanical Superintendent for Western Forest Products, have travelled to Amsterdam, the south of Spain, Reno, Japan, Singapore and Hong Kong since their win. And the whole family will spend Christmas holidays 1988 in Hawaii. Mrs. Laing also provided accommodation abroad for her friend, Vancouver artist Vickey Lee, who travelled to Europe with the couple in order to find new subjects for her paintings. The winner has also continued to expand her collection of antique furniture.
Mrs. Laing was just one of thousands of British Columbia winners during the 1988 Fiscal year.

More than 22 million prizes were paid out to lottery winners in British Columbia.

There were 12 millionaires created during the year, with the top single winner in the province taking home a cheque for $5 million.

Each year the British Columbia Lottery Corporation makes more and more British Columbians winners. But it's not just winners of prizes who win when you play lottery games—every time someone buys a lottery ticket in B.C., a portion of each dollar spent goes towards the funding of hundreds of projects, benefiting people in communities throughout this province.

This past year, more than 22 million prizes were paid out to lottery winners in British Columbia. Those prizes amounted to more than $216 million. There were 12 millionaires created during the year, with the top single winner in the province taking home a cheque for $5 million. And on the *Lotto 6/49* game, $127 million was paid out in prizes to 4.7 million winners in British Columbia alone.

Smaller Prizes

As in past years, the majority of prize money was paid to winners of smaller prizes. For example, while those who won the jackpot prize on *Lotto 6/49* took home a total of $42 million in prizes, the total won by players matching five out of six regular numbers plus the bonus number, five out of six, four out of six and three out of six, was $84.6 million. There were also more than 14 million winners of prizes from $1 to $10,000 on the Instant game last year.

More Money in Smaller Prizes: Lotto 6/49

6 correct	***$42 million***
5 plus bonus	***$13 million***
5 correct	***$9.6 million***
4 correct	***$18 million***
3 correct	***$44 million***

The B.C.-only games *The Pick* and the *Express* each generated almost 1 million winners each during the year, while *Lotto BC* created almost 700,000 winners. And *Super Loto* and the *Provincial* together made winners out of another 800,000 British Columbians. There were also seven lucky winners of Corvettes on *Super Loto*'s bonus draw last summer.

Prize Fund

The prize fund is established by setting aside a predetermined percentage of all sales. The prize fund for *Lotto 6/49* totalled $833 million nationally this year. Prize funds for the nationwide games *Provincial*, *Super Loto* and *Lotto 6/49* are administered by the Interprovincial Lottery Corporation.

All prize claims are met from the prize fund. If any funds remain unclaimed after expiry of the one year claim period, this amount is returned to the players later in the form of bonus prizes and bonus promotions.

Where The Money Goes

A total of $166.6 million from sales of lottery tickets in British Columbia was forwarded to the Government of British Columbia this year. Lottery funds are distributed to people and communities throughout the province by the Ministry of the Provincial Secretary.

The people who play lotteries play a large part in the financing of the British Columbia Summer and Winter Games and Special Olympics. As well, through the federal government, all lottery jurisdictions in Canada contributed funding to help stage the 1988 Winter Olympics in Calgary.

In British Columbia, profit from the sale of lottery tickets also goes to medical research, seniors' groups, heritage projects, performing arts and culture, non-profit community and sports organizations and other special projects.

Board of Directors

The Honourable
Bill Reid
Provincial Secretary and
Minister Responsible
for Lotteries
Chairman

Melvin H. Smith, Q.C.
Deputy Provincial Secretary
Secretary of the Board

Benjamin D. Leboe, C.A.

Allen R. Price

Guy Simonis
President

Head Office
74 West Seymour Street
Kamloops, British Columbia
V2C 1E2

Richmond
10760 Shellbridge Way
Richmond, British Columbia
V6X 3H1

Victoria
Units E/F 661 Alpha Street
Victoria, British Columbia
V8Z 1B5

The British Columbia Lottery Corporation does not issue grants. The Provincial Secretary's office is responsible for grants. Anyone interested in applying for a lottery grant should write to:

Lottery Grants
Ministry of the Provincial Secretary
The Honourable Bill Reid, Minister
Parliament Buildings,
Victoria, British Columbia
V8V 1X4

Board of Directors

The Honourable
Bill Reid
Provincial Secretary and
Minister Responsible
for Lotteries
Chairman

Melvin H. Smith, Q.C.
Deputy Provincial Secretary
Secretary of the Board

Benjamin D. Leboe, C.A.

Allen R. Price

Guy Simonis
President

Head Office
74 West Seymour Street
Kamloops, British Columbia
V2C 1E2

Richmond
10760 Shellbridge Way
Richmond, British Columbia
V6X 3H1

Victoria
Units E/F 661 Alpha Street
Victoria, British Columbia
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British
Columbia